

CAPLines Executive Summary
July 26, 2011

Structural Changes

- Reduce 5 subprograms to 4:
 - Working Capital CAPLines (formerly Standard Asset Based CAPLines)
 - Contract CAPLines
 - Seasonal CAPLines
 - Builder's CAPLines(Eliminated Small Asset Based CAPLines, maximum line amount \$200,000.)
- Added option of delegated processing for PLP Lenders

Key Features

- Maximum line amount \$5,000,000
- Maximum guaranty percentage 75% (over \$150,000)/85% if \$150,000 or less
- Maximum maturity increased from 5 to 10 years (except Builder's CAPLine, which is limited by regulation to 5 years), this matches the maturity for Working Capital term loans
- Use of Proceeds:
 - Contract CAPLines: proceeds can be used to finance all costs (excluding profit), previously only labor and materials.
 - Working Capital CAPLines: to finance short-term working capital/operating needs and some refinancing of existing lines (additional guidance on refinancing provided)
 - No change to Seasonal or Builder's CAPLines.
- Collateral:
 - Contract CAPLines: assignment of contract(s) and proceeds of contract(s) financed by the line, some exceptions to the requirement for an assignment may apply (contract proceeds will be paid directly to the lender per written consent of contracting authority and other conditions are met, e.g., term of line is 12 mos or less, borrower and contracting authority have successful history, etc.).
 - Working Capital CAPLines: if the lender will disburse based on a borrowing base certificate (BBC), the lender must obtain a first lien position on the trading assets (A/R, INV, etc.), and if not disbursing based on a BBC, the lender must have a first lien position on the trading assets and ensure 1:1 collateral coverage (which may include the assignment of other business assets as well as personal assets)
 - No change to Seasonal or Builder's CAPLines.
- Closing/Disbursement:
 - On all CAPLines lender has the option of using its own note and guaranty agreements rather than SBA's versions (SBA Forms 147, 148 and 148L).
 - Contract CAPLines: added guidance when the borrower is a prime vs. a subcontractor, when the contract involves surety bonding, and added the ability to finance a purchase order (previously only allowed in EWCP).
 - Working Capital CAPLines: Lender has option of closing and disbursing based on a BBC or not.
 - If a BBC is not used, lender must follow stated underwriting, collateral and cash flow analysis standards and minimum monitoring requirements, including site visits.
 - If a BBC is used, lender must comply with revised requirements including the timing of the BBC (monthly not with each disbursement), pre-disbursement and annual field exams (rather than semi-annually), and eligible/ineligible receivables (including concentrations, which may exceed 20% with written justification in the file if certain types of accounts, otherwise requires SBA consent).
 - The level of funds control, regardless of whether a BBC is used or not, will depend on the banking relationship the lender has with the borrower.
- Application:
 - Non-delegated: standard 7(a) application forms submitted to the LGPC.
 - Delegated: PLP lenders will use SBA Forms 1919 and 1920 (SBA Express forms) as well as their own documents, including the Lender's Credit Memorandum rather than the standard 7(a) application forms (which are used for other PLP loans). E-tran submission for SBA approval is required.